Previous references

Gen. Fin 5 of 1892-3 Se. B. 1892-3 ~~1890~~ (Genl. Finance)

File No. 4 of 1892-3

Serial Nos.

Later references.

Gen. Fin 3 of 1893

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1

Part B. for

SUBJECT.

Proceedings of the meeting of Directors of the Maharaja of Mysore Spinning and Manufacturing Company.

Table of Contents.

Sl-1, No. - Dated the 22nd April 1893. From the Chairman of the Maharaja of Mysore Spinning & Manufacturing Co.

Forwards a copy of the Proceedings of the meeting of the Directors of the Company held at Bangalore on 22nd April 1893.

Revenue File no 289

~~was submitted to~~

~~Dr~~ submitted with a note 11/5/93 D/5279

The papers are believed before the Chf Secy. Subd. Mark 10/5

Sayaji
Put the file of Mysore King & the col-
lection papers to Hon'ble Mr Deveon
on 12-1-93 thro the Under Secy
to the Dewan.

Mr
Secy to the Dewan
Mr Deveon
Hon'ble Mr
Dewan
11/5/93

Read on 15/5.
1) References &c &c
2) Ltr no 289 regd this
15/5 the Accts Branch
has no Connection with
this

Let the Dewan write
letter of 25 March 93
from Mysore Resident 16/5

Read 6/5

(General Serial No. 30.)

1893 1265 - 2784
~~1265 - 2784~~

From The Chairman of the Mysore Maharaja Spinning & manufacturing company Ltd

To

Gl. Fin 4 of 1892-3
Serial No. 1.

Dated 22nd April

Despatched

Received

Enclosures No.

General No.
No.

Forwards a copy of the Proc of the meeting of the Directors of the Company held at Bangalore on 22nd April 1893.

Regr and return.
1. Where is the file abt Govt loan to this Comps?
2. What is the No of shares which Govt holds in the busine

MRK 3/5

Put the file of Govt loan as a part of G.O. No 289-93 & send to Revenue Branch. Revenue Secretary, Put up thereafter. MRK 4/5/93

Revenue

2

For Shareholders only. Private.

(145)

THE MAHARAJAH OF MYSORE SPINNING AND MANUFACTURING CO., LD.

At a Meeting of the Directors of the Maharajah of Mysore Spinning and Manufacturing Company, (Ld.), held at 4 P.M., at the Registered Office of the Company, No. 1 Tumkur Road, Bangalore, on Saturday, the 22nd April 1893:

PRESENT:

B. STREENIVAS IYENGAR, Esq., *Chairman.* | H. E. STANBROUGH, Esq., *Director.*
A. J. MOLLOY, Esq., *Director.* | J. G. SCOTT, Esq., *Director, Ex-Off.*

Read Notice convening the Meeting.

1. Mr. J. Scott, Agent of the Mill, brings to the notice of the Directors the present financial weakness of the Mill, its present critical position, the great stagnation in trade, and the fact that there is very little demand for the productions of the Mill, and points out the necessity there is for the Directors to arrange for Funds for the future working of the Mill. Mr. Scott put before the Meeting for consideration:—

First—Whether, considering the present depression in trade, the Mills were to be stopped.

Second—If carried on, what means the Directors would adopt for financing the Mill, as the Madras Bank, the Bangalore Bank, and Mr. Walker had declined to advance the Mill cash on the security of yarn or cloth.

2. Mr. Scott requests the Directors to find and appoint another Agent, as Bangalore is too far away from Bombay to enable him to attend to the Mill, as well as for other important reasons. Mr. Scott is willing to give a reasonable time to the Directors to find an Agent.

Mr. Scott further proposes that a Circular should be sent at once to all shareholders, requesting them to find one Lakh of Rupees for Working Capital of the Mill, and to pay off Mr. Venkatavarada Iyengar's loan, for which interest is now paid at 9 per cent. per annum.

This money to be secured in the form of Second Debentures, bearing interest at 7½ per cent. per annum and hold in security,—

A. All Floating Stock and Stores.
B. All Cotton in Stock and Process.
C. All Yarn in Stock and Process.
D. All Cloth in Stock and Process.
E. All and every Article not ranked as Buildings or Machinery.
F. All Furniture, Safes, &c.
G. Forest Lands.
H. All the Property of Mill, ranking after Mysore Government Loan and first Debenture-holders.

Of these Debentures Messrs. Scott and Co., take up to Rs.10,000. Mr. Scott states that otherwise the Mill must go into liquidation.

3. Messrs. Scott and Co. further propose relinquishing their commission of 3 pies per lb. of yarn for the good of the shareholders, and in consideration thereof guaranteed shareholders to relinquish the guarantee and accept ordinary shares, otherwise the Mill must go into liquidation.

4. The new Agents to have the option of purchasing one or two thousand of the shares of Messrs. Scott and Co., at 50 per cent. discount, so that they may have a substantial interest in the concern, and their commission be paid on a sliding scale as follows:—

SLIDING SCALE (AGENT'S COMMISSION.)

1st. One pie payable on every pound of yarn spun, whether the Company makes any profit or not.
2nd. One-and-a-half pie when 6 per cent. profit is made.
3rd. Two pies when 9 per cent. profit is made.
4th. Two-and-a-half pies, when 11 per cent. profit is made.
5th. Three pies, when 14 per cent. profit is made.

The Commission to be payable on actual profits made and not on profits paid to Shareholders. This Sliding Scale having the approval of the Directors, Mr. Scott points out that the New Agents on the Sliding Scale for

1	pie	certain	would	get	about...	...	... Rs. 8,000 annually.
1½	,,	,,	,,	...	...	...	,, 12,000 ,,
2	pies	,,	,,	...	...	...	,, 16,000 ,,
3	,,	,,	,,	...	...	...	,, 24,000 ,,

Also points out that the proceeds of the last Debentures were utilized as follows :—

In 1891 Mr. Vencatavarada Iyengar's loan, which stood at Rs.1,70,000, is now reduced to Rs.81,000, and Mysore Government Loan in 1891, which stood at Rs.2,50,000, now stands at Rs.2,15,900.

7,000 New Ring-Frames from Messrs. Asa Lees & Co., paid by Debentures.

Forest—60,000 trees, and over 100 acres of land, paid by Debentures.

Mr. Sreenivas Iyengar, Chairman, expresses his great regret that the Bank Agent, Mr. Walker, declines to advance loans, especially on what he considers good and ample security of yarn and cloth.

Proposed by Mr. Stanbrough, *Seconded* by Mr. Molloy, that Mr. Scott be put in possession of three hundred bales of yarn or cloth, and he be requested to advance on the same for the pressing demands of the Mill.

This proposal being put to Mr. Scott he at first objected to the arrangement, but ultimately consented to make an advance of 75 per cent. on 250 bales, on such interest as he may have to pay a Bank himself. *Approved and Carried.*

Proposed by Mr. Streenevas Iyengar, *Seconded* by Mr. Stanbrough and unanimously *Resolved*—That when a suitable person or persons be found to take up the Agency the matter be submitted to the Shareholders, on the conditions laid down by Mr. Scott, and then an Extraordinary General Meeting of Shareholders be called to pass special Resolution in connection therewith, and meanwhile the proposition for the raising of funds for one lakh by 2nd Debentures be circulated without loss of time to shareholders, and the Funds be utilized to pay off Mr. Vencatavarada Iyengar's loan, and the balance reserved for working capital.

Mr. Scott finally urged the absolute necessity for a working capital, so that a large supply of cotton be purchased at favourable rates for cash, and also to enable the Company to hold stocks in time of depression. *Resolution noted.*

The reduction of Capital was discussed : Shares at Rs.100 should be reduced to Rs.50, to enable the Company to pay a Dividend on half its present Capital, as well as a substantial cover for depreciation. This was approved of by the Board, and an Extraordinary Meeting be called at an early date to settle the same, meantime a circular to be sent to all shareholders, guaranteed and non-guaranteed.

B. STREENEVAS IYENGAR,
Chairman.

For Shareholders only. **Private.**

THE MAHARAJAH OF MYSORE SPINNING AND MANUFACTURING CO., LD.

SUPPLEMENT TO REPORT.

At a Meeting of the Directors of the Maharajah of Mysore Spinning and Manufacturing Company, (Ld.), held at 4 P.M., on Saturday, the 22nd April 1893, at the Office of the Company, No. 1, Tumkur Road, Bangalore,—

It was *Resolved*,—That the present loan of one lac of Rupees advanced by the late Mr. S. Vencatavarada Iyengar be paid off.

This loan of one lac having been obtained for working capital some years ago, the Trustees of the Deceased request that the same be paid with all speed.

The lender was secured by having a lien on all the floating Assets of the Company, viz., Cotton, Cloth, Yarn, Forest, Cash, and all other articles and things which do not come under the head of Buildings and Plant, for which his Trustees hold the keys of our Cotton Godown, &c., thus placing the Company in a most undignified position, as well as tending very much to weaken its credit, as the keys are frequently not forthcoming when wanted, causing great delay and disappointment to the Company. Therefore to remove this barrier and obstacle, the Directors make a direct appeal to all Shareholders that, instead of borrowing Working Capital in this way it ought to be advanced by the owners of the property, viz., the Shareholders themselves, giving them the very same security as the Trustees now hold on behalf of the late Mr. S. Vencatavarada Iyengar.

Subscribers may feel satisfied and safe to follow in the footsteps of the late Mr. Vencatavarada Iyengar, as he was a very shrewd and successful business man. Therefore the Directors have no hesitation in stating that the security is a first-class one.

The Assets held by the Trustees on April 18th, 1893, amounted to Rs.1,79,937-5-2, from which it will be seen that there is ample margin over and above the one lac of Rupees.

The Directors themselves become Trustees for the Loan. They will see that all floating Assets are held secure on behalf of the Subscribers, and a legal Mortgage will be drawn up in their favor, embracing all the floating Assets of the Company.

Two hundred New Debentures, of Rs.500 each, will be issued, yielding 7½ per cent. Interest per annum, re-payable in 7 years. The present rate of Interest that the Company is paying is 9 per cent.

Shareholders must understand this is not a new Loan, nor is it increasing the Company's liabilities, but on the contrary it lessens the Interest, to say nothing of the great danger and risk to the Mill, as the lender might come down on the Company at any moment and plunge it into liquidation.

Therefore it is for the Shareholders to save their own property, by subscribing freely towards this Loan. They will not only be secured by all the floating Assets, but the New Debentures will be secured by a Mortgage on the whole property, to rank after the Mysore Government and the present Debenture Holders.

The whole of the Company's liabilities stand under 4 Lacs of Rupees, exclusive of Mr. Vencatavarada Iyengar's Loan, which is more than covered by floating Assets. And it will be seen from the Balance Sheet that the property has cost over 8 lacs of Rupees, and as a going concern and at the present rate of exchange, it could not be put down under 10 lacs.

Seeing that the security is sound, Messrs. Scott & Co., the Agents, have agreed to take Rs.10,000 in the New Debentures, providing 75 per cent. of the Loan is taken up.

Messrs Scott & Co., also agree to cancel the 3 pies per pound Commission, which will yield to them according to the present production Rs.24,000 per year, in favor of a Sliding Scale Commission which has been approved of by the Board, and which runs as follows :—

1. 1 pie on every pound of yarn produced, certain, whether profit or loss.
2. 1½ pie when 6 per cent. profit is made.
3. 2 pies when 9 per cent profit is made.
4. 2½ pies when 11 per cent. profit is made.
5. 3 pies when 14 per cent. profit is made.

Commission to be paid on actual profits made, and not on Dividends paid to Shareholders.

One pie against three pies is a direct saving to the Shareholders of Rs.16,000 yearly; as under the present system the Agents would receive Rs.24,000 yearly, whether the Company made profit or not. Rs.16,000 itself is equal to a Dividend of about 7¼ per cent. on the reduced capital.

Messrs. Scott and Co. have also intimated to the Board that they decline to remain Agents any longer. They have no time to devote to the Mill, and have given the Board reasonable time to secure other Agents.

Messrs. Scott and Co. hold about 2,000 shares, and they offer all or one-half to the new Agents at half-price, as it is imperative that the new Agents should have a substantial interest in the Mill which will incite them to use greater energy, &c.

The present Agents, Messrs. Scott and Co., make it a special condition that before they relinquish 3 pies commission, the Guaranteed Shareholders must in their turn relieve them of the Guarantee of 12 per cent. per annum, which has still five years to run out of 12 years, seven years having been paid.

The Board thinks this is a very liberal offer on the part of the Agents, and is a great boon to all Shareholders. And the Directors hope and trust that every Guaranteed Shareholder will sign the Form, relieving the Agents of the guarantee. If they don't, serious consequences might follow.

Guaranteed Shareholders must understand that what the Agents have given up secures a Dividend for them and gives their shares a substantial marketable value, which might become valueless when the Guarantee is up.

Should the Guaranteed Shareholders be an obstacle to the scheme, then it is better to state plainly that there is no hope, and the Mill must go into liquidation. Therefore it is for them to say whether the property is to be saved or not. The issue rests with them.

No doubt the Board, or Messrs. Scott and Co., who are willing to allow 1,000 shares to remain, will soon get good Agents to manage the Mill. In fact, negotiations are going on now with a highly respectable European Firm. But it would be premature to mention names at present.

The Board has also come to a unanimous decision, that an Extraordinary Meeting should be called at the earliest possible date, to reduce the value of the shares from Rs.100 to Rs.50 per share. The value of this scheme will be patent to every Shareholder. In the meantime the shares have no real market value.

If the original capital is reduced to one half, any profit on a small capital must give shares a good market value. Ten per cent. on the old capital of Rs.4,43,000 would give 20 per cent. on half that capital. Therefore if 20 per cent. is made at any time on the reduced capital, the shares would go up to double their value at once, and become a good sound stock.

It does not matter to present Shareholders what the shares are reduced to. Meantime they are unsaleable. Therefore anything to improve their position is highly desirable for all concerned.

If the value of the shares are reduced to one-half this at once gives a great margin for depreciation. Capital reduced to one-half is equal to 50 per cent. and 20 per cent. in favour of the Company's Plant by the serious fall in exchange. Adding that item to 50 per cent. gives 70 per cent., which the Board considers will cover depreciation for the next 7 years. And they accordingly resolve that no depreciation be allowed for the next 7 years, to enable the Shareholders to get a substantial return in the shape of Dividends.

Mr. Scott, the Agent, drew up the whole scheme which the Board approves of. He also put the "Sliding Scale of Agents' Commission" before Sir K. Seshadri Iyer, K.C.S.I.

The Company are endeavouring to get a reduction of interest on the present Loan from the Mysore Government, as well as a modification of the payments of the present Loan. The proposal is at this moment receiving the consideration of the Mysore Government.

Therefore with all these reforms we hope soon to have the Company on a more solid basis. And two months will be given for an answer from all Guaranteed Shareholders Their answers to be filled in in the Form attached, and returned.

The following is a short summary of how the last Debenture Money has been dealt with.

The issue was for Rs.2,50,000. Mr. Vencatavarada Iyengar's Loan in 1891 stood at Rs.1,70,000; it stands this year at about Rs.81,000. The Mysore Government Loan in 1891 stood at Rs.2,50,000; this year it stands at Rs.2,15,900. Forest of about 60,000 Casuarina trees were paid from Debentures. Godown buildings paid by Debentures. 7,000 Ring-Spindles from Asa Lees & Co., paid by Debentures. All the issue and more has gone in the above, which fortifies and strengthens present Debenture Holders' property.

It is impossible to carry on a Cotton Mill successfully without ample working capital. "Hand to mouth" means failure. Cotton must be stocked when cheap. Yarn and cloth must not be thrown on the market when trade is dull. To carry out this Share-holders must come forward and provide Working Capital.

B. STREENEVAS IYENGAR,
H. E. STANBROUGH, *Director.*
J. G. SCOTT.

4

FORM OF DEBENTURE, STYLED FLOATING ASSETS DEBENTURE.

THE MAHARAJAH OF MYSORE SPINNING AND MANUFACTURING COMPANY, LIMITED.

Incorporated under "The Indian Companies Act" 1866 1892.

Nominal Capital Rupees 4,50,000, divided into 4,500 Shares of Rupees 100 each.
Subscribed Capital.....Rupees 4,43,000.

Registered Office—No. 1, Tumkur Road, Bangalore.

Debenture Loan not to exceed **Rupees 1,00,000**, and to be issued in 200 Debentures of Rupees 500 each, bearing Interest at the rate of Rupees 7½ per cent. per annum.

Bearer Series.

Debenture No. Rupees 500.

1. THE MAHARAJAH OF MYSORE SPINNING AND MANUFACTURING COMPANY, LIMITED, (hereinafter called "the Company") will, on the first day of One Thousand Nine Hundred pay to the Bearer on presentation of this **Debenture** the Sum of **Rupees Five Hundred.**

2. The Company will in the meantime pay interest thereon at the rate of Rupees Seven-and-a-half per Centum per Annum by equal half-yearly payments on the first day of and the first day of in each year, in accordance with the Coupons annexed hereto.

3. This Debenture is issued subject to the conditions indorsed hereon.

4. This Debenture is one of 200 of Rupees 500 each, and is secured by the following:—All Buildings and Machinery after payment to Mysore Government and present Debenture-holders. Forest—about 60,000 Casuarina Trees and over 100 Acres of Land. All Cotton in stock and in process. All Cloth and Yarn in stock and in process. All Stores in stock and in process. All Furniture in Office and Bungalows, and Safes. All and every article and thing in or about the Works, which are not termed Buildings and Machinery, and which are not included in Mysore Government and Debenture Mortgage. All Cash in Bank and other places.

5. The whole of the Directors of the Company act as Trustees, and undertake to hold the above on behalf of Floating Assets Debenture-holders.

GIVEN at Bangalore under the hands of the Directors of the Company, this day of One Thousand Eight Hundred and Ninety For and on behalf of The Maharajah of Mysore Spinning and Manufacturing Company; Limited.

Directors. .....
.....

.....
Agents.

5

CIRCULAR.

I agree to take up Debentures of Rupees 500 each, covered by the above Securities, which are to appear on the face of the Debenture, and I enclose you Draft for Rupees

TO GUARANTEED SHAREHOLDERS.

I am prepared to convert my Guaranteed Shares into Ordinary Shares if the Agents, Messrs. Scott & Co., yield up 3 pies per lb., substituted by the Sliding Scale of Commission as arranged at the Directors' Meeting of April 22nd 1893.

CIRCULAR.

I agree to take up Debentures of Rupees 500 each covered by the above Securities, which are to appear on the face of the Debenture, and I enclose you Draft for Rupees

TO GUARANTEED SHAREHOLDERS.

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